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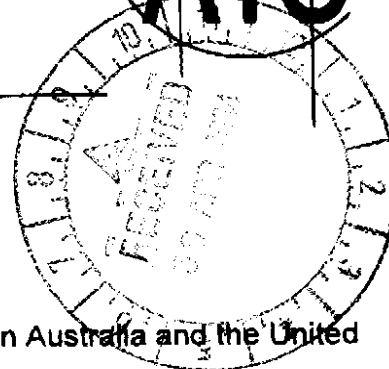
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30<sup>th</sup> April 2004

The Secretary, Brenton Holmes  
Senate Select Committee on the Free Trade Agreement between Australia and the United  
States of America  
Suite S1.30.1  
The Senate  
Parliament House  
CANBERRA ACT 2600



**Submission to Senate Select Committee on the**  
**Free Trade Agreement between Australia & the USA**

Dear Committee members,

I am writing on behalf of the Arts Industry Council (Victoria) to express our concern with the draft Free Trade Agreement with the United States (FTA).

**About the Arts Industry Council (Victoria)**

The AIC(Vic) is a non-profit membership body, representing the arts industry in Victoria as the independent voice for the arts. Our constituency ranges from arts practitioners and small to medium arts organisations to large state cultural institutions covering all sectors of arts activity. We research and lobby on behalf of our constituency and contribute to public debate by providing leadership and forums for discussion within the sector.

**Areas of concern with the FTA**

We are advocating that all areas of the FTA dealing with culture be excised, as manifestations of Australian culture should NOT be subject to negotiation, limitation, regulation or deregulation in any Trade Treaty or Agreement. By culture, we mean any area of the Agreement that deals with film, radio, television (pay and free-to-air), copyright, new media, radio, writing and publishing and visual arts. We argue that the Australian government retain all rights in these areas to support, regulate, subsidise, impose import & broadcast quotas and give preferential treatment to Australian cultural industries in an on-going and responsive manner over time. These rights should not be locked in to legislation pertaining to agreements with other nations, limiting future responsiveness to the needs of these industries and Australian culture generally by successive Australian governments.

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Our submission is based firstly on concerns for Australian culture and values and secondly on flow-on effects that will have a severe adverse impact on the Australian economy, regional development and employment.

Thirdly, we are concerned that the FTA under consideration is a unilateral Agreement with perhaps the strongest cultural entity on Earth. We would support multilateral Agreements with a range of nations, but would still argue that culture should be excised, as was the case with the Agreement with Singapore.

### **Questionable assurances about the impact of the FTA on arts and cultural services**

We understand that the Australian government has sought to assure Australians that subsidies and other support for arts and cultural activity have been excluded from the FTA. We are alarmed that reports on the impact of the Agreement in the United States are saying that performing arts and other cultural services are being liberalised under the Agreement. The lack of authoritative assessments of the impact of the FTA on both the Australian economy and Australian culture is a major concern.

### **The Links between cultural activity and economic activity**

The rise of debate about a distinct Australian identity and Australian values over the last thirty years is directly attributable to economic investment in – and regulation of – cultural services including arts, film and broadcasting media. Further, there is an intricate connection and correlation between general economic activity and cultural activity. This link falls into two separate areas:

- The direct economic impact of cultural activity;
- The indirect economic impact of cultural activity.

It is important to outline what these areas are in order to understand the potential impact of the FTA on both cultural services and on the broader society and economy. In the following two sections, we focus on each of these two areas of economic impact in turn.

### **Direct economic impact of Cultural activity**

According to Australian Bureau of Statistics and other sources:

1. Victorian arts & cultural services supplied an estimated \$7.8 billion worth of goods and services in 2001/02;<sup>1</sup>
2. Government subsidies and contributions to the sector in Victoria from all tiers of government was approx. \$306 million in 2001/02, revealing both the critical contribution of the government sector and a massive return on that investment;
3. In the five years between 1996/97 and 2001/02, Victorian arts and cultural industries increased in value by 22%, making it one of the most dynamic growth sectors in the Victorian economy;<sup>2</sup>
4. Exports of cultural commodities from Victoria for 1996/97 were \$378 million or 2.3% of all exports from Victoria. More recent figures are unavailable, but the growth rates in the industries in point 2 above suggests it is growing significantly;<sup>3</sup>

<sup>1</sup> Arts Count No.1, 2003, Arts Victoria, 2003 (based on ABS data)

<sup>2</sup> Ibid

<sup>3</sup> The Arts Industry in Victoria - A statistical overview prepared by ABS for Arts Victoria, 1998

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5. In 2001, 76,000 Victorians were employed in cultural industries - nearly 4% of all employed Victorians.<sup>4</sup> This figure excludes the majority of artists whose earnings average around \$13,000 and who are recorded in ABS data as employed in other vocations.

In short, the Australian cultural industries are a dynamic and growing sector with a significant economic impact. Much of this impact is driven by innovation and the creation of new Australian work, which in turn is the most cost-sensitive and subsidy dependent area of activity. The export dollars generated are dominated by Australian-driven content and product. This impact is already limited already by domestic competition with aggressive and successful American markets.

The strength of the cultural economy is driven by government investment, regulation and subsidy with significant economic returns. Any limits on any form of support will impact adversely on the fragile balance of an intricate network of support evolved over the last 50 years. Australian artists and creators are already doing it tough and finding it hard to make a living. They survive by gaining employment in cultural services to subsidise their creative activity. Any potential adverse impact risks reversing the economic growth of the sector and will serve to discourage their creative activity. The loss to Australian culture as well as to the economy will be enormous in its flow-on impact.

### **Indirect economic impact of Cultural activity**

There is a growing body of research (mostly over the last 10 years) that indicates that societies with strong indigenous cultural institutions experience strong economic growth. Societies where cultural institutions and processes are unsupported, unrecognised or allowed to stagnate have weaker economic performance. There is not yet a consensus on the mechanisms of this connection (it is a new area of research) but the correlation is becoming deafening clear. Economic activity and cultural activity are connected through a complex synergy of interactive mechanisms. The best model for articulating this is the ecosystem model, where all parts interact on some level to create a whole system. To explore this further - and more concretely - a brief summary of some identifiable connections is given below.

### **Links between film, broadcast media and other cultural services**

There is a direct interactivity between activity in the film, radio, and television industries and the broader cultural services. Those industries are directly and mutually reliant on the training and experience of writers, performers, directors, visual and multi-media artists across other arts media. Economic and employment impacts on one sector directly flow through to others. Adverse impacts on any sector suffer a multiplier effect through feedback mechanisms and mutual reliance (hence the ecosystem model). Any potential adverse impact on Australian content and ownership in broadcast media or film will at best limit economic and employment growth in those sectors and limit growth potential in related sectors. At worst, we will witness a severe blow to the creative industries, stalling its growth and cultural and economic contribution, including export earnings.

To take such risks, both economic and cultural, for relatively smaller potential gains in the longer term is fiscally irresponsible.

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<sup>4</sup> Arts Count No.2, 2003, Arts Victoria, 2003 (based on ABS data)

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## Regional development and cultural Services

Regional development in Australia is driven by innovation and tourism. Both these areas are dominated by cultural activity. Research again indicates that regional areas with a strong cultural services sector (and particularly resident artists) are most able to attract and retain innovative businesses and to take innovative approaches to economic growth.

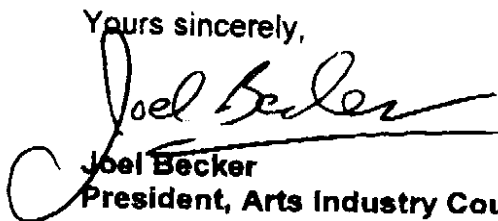
It is also our belief that with a decrease in commercial opportunities for artists within the Australian market, there will be a financial disincentive for participation within this sector so imperative to the ongoing growth and development of a vibrant Australian culture. Within the guidelines and restrictions of the FTA, the government would either have to allow for this diminution of culture, or face increasing funding pressures to support Australian artists and supporting agencies.

## Conclusion

The Arts Industry Council (Vic) strongly urges the committee to consider the value of culture in its Inquiry into the Free Trade Agreement with the United States. While the mechanisms of adverse impact of that Agreement on the cultural sector may be difficult to identify, we would argue that the value of the sector to both the rigour of Australian culture and to the national economy are too important to take risks with.

We would welcome the opportunity to present further evidence and answer questions regarding this submission by appearing before the Committee at its hearings.

Yours sincerely,



Joel Becker

President, Arts Industry Council (Victoria)

Arts Industry Council (Victoria)

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